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**Prepared for:**

**USAID Montenegro  
Good Local Governance  
Project**

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**MONTENEGRO  
GOOD LOCAL GOVERNANCE**

**DECENTRALIZATION AND LOCAL  
GOVERNANCE LEGISLATION  
ENFORCEMENT ISSUES**



Good Local Governance Project-  
Montenegro  
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To: Amy Osborn, General Development Officer ) USAID/Montenegro  
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From: Michael Sinclair, Chief of Party )  
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Date: 24 June 2005

Re: Decentralization and local governance legislation enforcement issues

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### **Introduction**

During the 8 June Good Local Governance (GLG) project CTO/COP meeting with the GLG project Chief of Party, Amy Osborn asked that the GLG project prepare a short Memorandum describing our observations regarding the enforcement, or lack of enforcement, of important provisions of the key laws on decentralization and local governance: the Law on Local Governance and the Law on Local Government Finance, both adopted in July 2003.

In this Memorandum, we discuss compliance with, and enforcement of, key provisions of these Laws that affect the relationship between municipalities and the Republic as well provisions that are more closely related to the relationship between a municipality and its citizens, voters, taxpayers, business community, or other stakeholders.

This Memorandum summarizes and describes our observations regarding poor compliance and enforcement; suggests some of the possible causes and describes some of the potential consequences.

We have not, however, suggested specific measures that may be required to improve the situation although, to some extent, those measures are implicit in our description of the causes for the non-compliance and non-enforcement issues we describe. At your request, we would be happy to discuss specific actions and priorities that would help address these issues.

### **Summary**

Many municipalities are currently not in compliance with important provisions of the Law on Local Governance and the Law on Local Government Finance. The key Republic ministries in charge of implementing those Laws generally fail to do so. The Laws themselves provide no sanctions for non-compliance, nor do they provide any tools for enforcement. The legal framework needed for enforcement – subsidiary Government decrees, regulations, instructions, municipal ordinances, etc. – largely does not exist, nor do effective compliance monitoring and enforcement institutions, technical, and human resources capacity. The decentralization and local governance reform activities called for in the Government's Economic Reform Agenda, the Ministry of Justice/Union of Municipalities of Montenegro Program for Better Local Self-Government of the Republic of Montenegro, and the Ministry of Finance Coordinating Body

Action Plan are, for the most part, unrelated to improving compliance with, and enforcement of, the requirements of these Laws.

### **Key areas of non-compliance and lack of enforcement**

#### *Law on Local Governance*

Provisions of this Law that are not being actively enforced include the following:

**Harmonization of laws and regulations:** The Law requires that laws and regulations “... prescribing the list of affairs that fall under the primary jurisdiction of a local government ...” shall be harmonize with the Law on Local Governance within one year from its effective date (Art. 147). In the two years since the adoption of the Law on Local Governance, very few laws and regulations have been harmonized.

The result of this lack of harmonization is legal uncertainty regarding the functions, powers, and authorities of municipalities and regarding the division of functions, powers, and authorities between municipalities and Republic-level governmental agencies and institutions. This, in turn, means that decentralization is not yet defined and can not yet be fully implemented.

**Adoption of implementing regulations:** The Law requires that “[t]he Ministry in charge of local governance affairs ...” adopt regulations implementing the Law within six months from its effective date (Art. 148). According to Article 3 of the Decree on Organization and Functioning of State Administration (Official Gazette 06/05), the Ministry of Justice is in charge of local governance affairs, but no implementing regulations appear to have been adopted.

The results of the lack of compliance with this provision are similar to the legal uncertainty and inability to implement decentralization referred to in the immediately preceding paragraph.

**Adoption of required municipal ordinances:** The Law on Local Governance requires municipalities to adopt, within one year after the effective date of the law (Art. 146) a municipal charter (Art. 22) and seven other ordinances (various other Articles). As of 12 June 2005, three municipalities had not yet adopted a charter); 16 municipalities had not yet adopted municipal assembly procedures (Art. 45(20)); 10 municipalities had not yet adopted an ordinance on citizen participation in municipal decision-making (Art. 108); and 20 municipalities had not yet adopted an ordinance establishing a Council on the Development and Protection of Local Governance (Art. 145).

Of the remaining four ordinances required by the Law (in the aggregate, 84 ordinances among the 21 municipalities), as of 12 June 2005 only ten had been adopted and two more had been published as drafts.

The Law permits but does not require municipalities to have symbols comprising a coat of arms and a flag (Art. 23) and requires them to have a seal (Art. 25). As of 12 June 2005, eight municipalities had adopted symbols and one more such ordinance was being prepared, and nine had adopted a seal.

From the point of view of transparency and accountability of local government and practical implementation of the Law, the consequences of non-compliance with these provisions of the

Law may range from trivial (*e.g.*, the ordinance on symbols) to serious (*e.g.*, the ordinance on citizen participation in municipal decision-making). In general, however, the absence of sanctions for non-compliance or even an effective system for monitoring compliance tends to undermine the rule of law.

### *Law on Local Government Finance*

Provisions of this Law that are not being actively enforced include the following:

**Valuation of real estate subject to municipal taxation:** Article 10 of the Law requires real estate subject to municipal taxation to be assessed at “market value” as of 1 January of each tax year. The Ministry of Finance has previously issued several versions of instructions to municipalities for assessing real property at something that purports to approach market. The Ministry has yet to embrace recommendations to issue guidelines for the development of municipal property registers that are required to apply valuations based, at least to some extent, on market value. It is not clear that the most recent instructions issued by the Ministry would be viewed by the Constitutional Court as being in compliance with the Law.

The consequence of this non-compliance is that municipalities are now preparing to issue real estate tax bills for 2005 based on the most recent (legally-suspect) set of instructions from the Ministry, calling into question the validity of tax bills based on those instructions or the authority of municipalities to enforce payment of those bills.

Despite its valuation decrees having been overturned two years in a row, the Ministry has never provided guidance regarding municipal enforcement of payment of unpaid bills for 2003 and 2004, nor has it provided guidance on whether property tax revenues collected based on the previously issued invalidated decrees should be returned to the taxpayers or who should pay for any such refund.

**Revenues from natural resource concession fees:** The Law requires (Art. 28) that each municipality is entitled to receive 30% of natural resource concession revenues collected on with respect to natural resources on its territory. However, this provision is in conflict with Art. 58(4) of the Law on Forests (No. 55-00, 1 December 2000), which provides that each municipality is entitled to only 10% of forestry concession revenues (an important revenue source for northern municipalities, in particular) collected with respect to forests on its territory. Until now, municipalities have been receiving only a 10% share of forestry concession revenues, and the accounting for those revenues has been obscure. The Ministry of Finance has now recommended to the Ministry of Agriculture, Forestry, and Water Management that the Law on Forests be amended to be consistent with the Law on Local Government Finance, but it is not clear whether or when the Ministry of Agriculture, Forestry, and Water Management will prepare such an amendment. The accounting for forestry concession fees collected by the Republic and for the 10% share of those fees now supposedly being paid to municipalities is not transparent, and municipalities may not be receiving even the 10% of those fees called for by the Law on Forests.

The consequence of the failure to comply with this provision of the Law is that northern municipalities, in particular, are not receiving the share of these revenues to which they are entitled under the Law and that their ability to deliver services to citizens and business is materially impaired.

**Local Government Finance Commission procedures:** Article 31(3) of the Law provides that the Local Government Finance Commission (LGFC) is charged with developing the allocation formula for the distribution of the equalization fund to municipalities. Article 32(4) of the Law requires the LGFC to follow its “book of procedures. In 2005 the LGFC has apparently adopted its “Rulebook on more detailed criteria for calculating the amount of funds provided to municipalities from the equalization pool and method for payment of these funds for its “temporary” equalization fund distributions for the first six months of FY05. This rule book is undated and has never been published.

However, the LGFC has not followed its 2005 Rulebook or some of its other allocation rules in some important respects in its equalization fund distributions for FY04 or FY05. For example, in FY04 the LGFC arbitrarily allocated additional equalization funds to at least two municipalities without regard to the published allocation formula. In addition, the LGFC has in a number of instances collected incorrect or only partial municipal revenues received in FY04 and disregarded revenues reported by municipalities to have been received with respect to prior fiscal years, thus understating those municipalities’ FY04 revenues and over-allocating equalization funds to them.

This non-compliance and the failure of the LGFC to publish its FY05 Rulebook introduce significant elements of non-transparency, arbitrariness, and unpredictability into what is supposed to be a transparent, formula-based, and predictable equalization fund allocation system of equalization funds. These, in turn, undermine the rule of law and unfairly give financial advantages to some municipalities at the cost of others.

**Consolidated municipal budgets:** Article 39 of the Law requires that a municipal budget include “... all inflows pertaining to a municipality and all outflows within its competence.” Although it is not completely clear from the language of this provision, it is at least arguable that this provision requires municipal budgets to be consolidated; *i.e.*, to take into account all inflows and outflows of municipal budget users, enterprises, agencies, and off-budget institutions that are providing services or undertaking operations “within [the municipality’s] competence.” (If those other organizations are providing services or undertaking operations that are not within the municipality’s competence, then it is not clear that the municipality has the authority to create, oversee, or finance them.) However, few if any municipalities use consolidated budgets and the Ministry of Finance has recently taken the position that it has no authority to require municipalities to do so in the context of municipal budget execution reporting instructions now being prepared by the Ministry.

The consequence of this failure to enforce this requirement is that municipal budgets present a financial picture of municipalities that is misleading and incomplete, undermining transparency and the ability of citizens, taxpayers, and Republic-level agencies to understand municipal finances and develop and implement appropriate intergovernmental finance policies. Municipalities are also encouraged to manipulate their budgets by shifting revenues and expenditures off-budget in order to gain advantage in the equalization fund and to diminish public oversight of these activities.

**Municipal Assembly annual budget statement:** Article 55(1) of the law requires municipal assemblies to adopt final budget statements “... upon expiry of the year for which the budget has been adopted ....” The Mayor is required to submit a final budget statement to the municipal assembly by 31 May following the relevant fiscal year (Art. 56(1)), and the final statement is to

be submitted to the Ministry of Finance within 30 days after its adoption by the municipal assembly (Art. 56(1)). The Law therefore imposes no deadline on the municipal assembly's adoption of the final budget statement. As of the date of this Memorandum, only a handful of municipalities have submitted to the Ministry of Finance a final budget statement adopted by its municipal assembly with respect to its FY04 budget and most have not done so for FY03.

In the absence of FY04 final budget statements approved by their municipal assemblies, most – but not all – municipalities have submitted to the Ministry of Finance final budget statements prepared by the municipal administration. Currently, two municipalities – Ulcinj and Bijelo Polje – have failed to submit even these final budget statements to the Ministry, despite repeated written requests to do so. A third – Budva – has found its (very late) submission to be replete with errors and is having difficulty creating a corrected final statement. The Ministry has so far failed to consider taking any action to enforce this provision of the Law against those two municipalities.

The result of non-compliance with this provision of the Law is that municipal voters, through their elected representatives, are unable to exercise oversight and control of municipal revenues and expenditures. The normal democratic checks and balances between the executive and legislative branches of municipal government are not functioning. Municipalities that have complied with this requirement of the Law question why they did so when those that have not complied suffer no adverse consequences; this may lead to more widespread non-compliance in future.

**External audits of annual municipal final budget statements:** Article 55(10) of the Law requires that the financial statements to be included in a municipality's annual final budget statement be accompanied by an "[e]xternal auditing report ..." on those financial statements. It appears that the "external auditing report" is intended to be an audit conducted by an auditing agency or firm "external" to the municipality (i.e., not an "internal" audit prepared by municipal staff), in accordance with standards not specified in the Law. However, to the best of our knowledge, only a few municipalities (including Podgorica and Nikšić) have their financial statements audited. It is not clear what the scope of, or standards for, these few municipal audits are. It is not clear that sufficient auditing capacity exists in Montenegro to audit the final budget reports of all municipalities every year or that municipalities currently have the capacity to produce and maintain complete and auditable financial records that would be auditable under Generally Accepted Auditing Standards or International Standards of Auditing as adopted by EU directives.

The result of this non-compliance is uncertainty regarding the true financial condition of municipalities and the inability of citizens, taxpayers, municipal assemblies, and Republic-level institutions to exercise oversight of municipal finances and the conduct of elected officials.

**Municipal assembly budget execution oversight:** Article 69 of the Law requires municipal assemblies to exercise oversight of budget execution and the use of appropriated funds for their intended purpose. However, aside from approving the annual budget and periodically rebalanced budgets, municipal assemblies currently exercise little or no effective oversight of budget execution.

The consequence of this non-compliance is to weaken democratic checks and balances at the municipal level and to weaken oversight of municipal finances by voters, taxpayers, and their elected representatives.

**Quarterly municipal budget execution reporting:** Article 74 of the Law requires municipalities to submit to the Ministry of Finance quarterly budget execution reports within 30 days after the end of the reporting quarter. From the effective date of the Law to date, the Ministry of Finance has never initiated a request for these reports or followed up on submitted reports, except upon the urging and with the assistance of the GLG project. The Ministry is in the process of reviewing proposed quarterly budget execution reporting instructions and an accompanying chart of accounts, but has not set a deadline for issuing them. It is not clear whether the Ministry intends to include any enforcement provisions in those instructions.

The consequences of this non-compliance and non-enforcement include a lack of municipal revenue and expenditure data needed for Republic-level policy-making and financial management and for equalization fund allocation adjustments, and a lack of data expected by the IMF and other international agencies. At the municipal level, the absence of these quarterly budget execution reports adds to the difficulty of meaningful municipal assembly, citizen, and taxpayer oversight of municipal revenues and expenditures and the weakening of a democratic system of checks and balances.

### **Possible causes for non-compliance and lack of enforcement**

Non-compliance with, and lack of enforcement of, these provisions of the Law on Local Governance and the Law on Local Government Finance may stem from a number of factors, including the following:

**Lack of human resources and technical capacity:** Municipalities and responsible Ministries often lack the human resources and technical capacity to comply fully, or enforce compliance, with these Laws in the time frames allowed for compliance. Understanding of decentralization and local governance laws among Republic and municipal officials is sometimes lacking. Their technical ability to develop the laws and regulations and new institutional arrangements required to implement the key decentralization laws is limited.

The key Ministries involved in decentralization and local governance – the Ministry of Finance and the Ministry of Justice – lack the human resources and data collection capacity to monitor compliance with the Law and to enforce compliance when necessary. They also lack capacity to harmonize the large number of other laws and regulations within their jurisdiction with the Law on Local Governance and the Law on Local Government Finance, and to prepare the implementing regulations required under those Laws. Recently, however, the Ministry of Finance has begun to improve its monitoring capacity by more effectively collecting municipal budget execution data and publishing that data on its web site. It is also acting to improve compliance by municipalities by issuing important new instructions on municipal budget reporting and budget preparation.

Citizens, taxpayers, businesses, and other stakeholders are not well-informed about the provisions of these Laws, how non-compliance adversely affects their interests, or what effective steps they might take to improve compliance. They are not sufficiently well-organized to take

effective concerted action to improve compliance, and municipalities and Ministries are often not responsive to citizen demands for compliance with laws.

**Weak institutional arrangements:** Institutional capacity to monitor compliance and oversee and coordinate implementation and enforcement at the Republic level is improving, but remains weak. Many laws and regulations that should be harmonized with the key decentralization laws lie outside the jurisdiction of the Ministry of Finance or the Ministry of Justice, and coordination of preparation of implementing laws and regulations and harmonization of new or existing laws with the key decentralization laws is poor. The key Ministries have not created effective compliance monitoring mechanisms or policies.

The Ministry of Finance formed an internal coordinating body in December 2004 to coordinate implementation by the Ministry of the requirements of the Law on Local Government Finance. That coordinating body is now in the process of developing a detailed action plan. The Ministry of Justice also formed an informal coordinating body in 2004 to coordinate implementation of, and compliance with, the Law on Local Governance, but until now that coordinating body has seemed to be largely inactive. Key Deputy Prime Ministers and Ministers now appear committed to forming an Inter-Ministerial Council on Decentralization to monitor and coordinate implementation of the laws at the Republic level and monitor compliance and implementation at the local level, but that Council has not yet become active.

**Weak or absent means of enforcement:** It is not clear that the responsible Ministries or citizens have sufficient or appropriate authority under Montenegrin law to take effective judicial or administrative actions against non-compliant municipalities, or that municipalities or citizens are authorized to take such actions against non-compliant Ministries.

For example, although Article 75(3) of the Law on Local Government Finance explicitly authorizes the withholding of shared revenues from municipalities that fail to submit the required quarterly reports on time, the Deputy Minister in charge of municipal reporting believes this provision of the Law does not empower the Ministry to impose sanctions for non-compliance with the Law's quarterly reporting requirements.

The Law on Local Governance provides potential means of enforcement of its requirements. For example, under Article 124 of the Law, the Government is authorized to suspend, pending a decision of the Constitutional Court, a municipal regulation if the Government believes it does not comply with the Constitution or that it restricts freedoms, rights, and responsibilities of citizens under the Constitution and applicable laws. Under Article 125 of the Law, if a municipal assembly does not meet for a period longer than three months, does not implement court decisions, or does not fulfill its obligations under law, and thereby prevents the exercise by citizens of their rights or causes significant material damage, the Government may issue a warning to the municipality setting a deadline for compliance. If the violation continues after the deadline, the Government is authorized to dissolve the municipal assembly.

It is not clear that these few enforcement mechanisms can improve compliance with the decentralization laws. Sometimes, it is the Government itself that is not in compliance with the decentralization laws (*e.g.*, by failing to follow its own procedures for calculating the allocation of equalization grants), and the remedies available for Government non-compliance are unclear. The few remedies available to the Government for municipal non-compliance with the Laws' requirements do not appear to be well-tailored to specific violations. For example, suspending



distribution of shared revenues to a municipality that does not comply with quarterly financial reporting requirements seems like a radical remedy that may not produce the desired result (especially for a municipality that is relatively less dependent on shared revenues) and penalizes those innocent of the violation (*e.g.*, municipal employees who may not be paid, or citizens who may not receive services, as a result of the suspension of shared revenues) rather than those who are responsible (*e.g.*, the Mayor or the municipal assembly). Dissolution of the municipal assembly for the violations specified by the Law on Local Governance also seems to be a radical remedy and, therefore, one that the Government may be justifiably reluctant to exercise in all but the most egregious cases.

In addition, the courts are not familiar with these Laws or their enforcement, and do not generally function well or independently, so attempts at judicial enforcement of the Law may not succeed. Administrative enforcement by the two key Ministries dealing with decentralization issues tends to be inconsistent, arbitrary, unpredictable, and politically biased, and may not be subject to effective judicial review.

### **Treatment of compliance and enforcement issues in key Government decentralization implementation plans**

**Economic Reform Agenda:** The Government's Economic Reform Agenda for Montenegro 2003-2006 (March 2003) included a section (Sec. 9) on Reform of Local Self-Government that set out an ambitious agenda for adopting and implementing key decentralization and local governance laws. The brief summary in the Table of Contents of Economic Reform Agenda of the goals of the planned local government reform in 2003-2006 was as follows:

Laws establishing the legal basis for fiscal decentralization of municipal finance (budget planning and execution) and administration reform are adopted and implemented; market-based real estate taxation is implemented at local government level; direct election of mayors is implemented.

However, as outlined in the *Economic Reform Agenda – Report and Recommendations* (February 2005) prepared for the Government by teams of international advisors and local experts and institutions, with the prominent exception of direct election of mayors, much of the detailed plan for local government reform remained unimplemented as of early 2005.

The Government's new Economic Reform Agenda for 2005-2007 (April 2005) contains a summary of the goals for local government reform that is virtually identical to the corresponding summary in the previous Economic Reform Agenda (with the exception of the previously-implemented direct election of mayors):

Adopt and implement laws that establish the legal basis for fiscal decentralization of municipal finance and administration reform; implement market-based real estate taxation.

Section 9(2) ("Local Administration") of the revised Economic Reform Agenda again sets out a fairly detailed list of tasks to implement decentralization at the Republic and municipal level. The goals and specific tasks called for by this Section, if carried out, would address some of the necessary conditions for effective implementation and enforcement of the key decentralization laws.

For example, relevant provisions of this Section of the current Economic Reform Agenda include the following:

### **Key parameters**

Implement the Law on Local Self-Government and Law on Local Self-Government Finance ....

### **Overview**

Although a significant step was made towards the establishment of local self-government in accordance with prescribed principles, the very adoption of laws is not enough to achieve full decentralization in the practice ... [p]rimarily because sectoral laws are still not harmonized with systemic laws in the area of local self-government ....

### **Specific Tasks**

#### **1. Legislative Framework**

- ...
- e) Adopt sub-normative regulations at the local self-government level (II half of 2006).
- f) Harmonize sectoral laws with the Law on Local Self-Government and Law on Local Self-Government Finance (II half of 2007) ....

#### **2. Establish professional administration and standards and the municipal level**

- a) Adopt sub-normative regulations and legal documents regarding internal organization at the local level in accordance with the Law on State Officers and Employees, Law on Salaries of State Officers and Employees and Decree on Titles of Local Officers (II half of 2006);
- b) Adopt the Code of Ethics for State Officers and Employees that would be applied at the same time to local officers (II half of 2005);
- c) Organize bodies and/or services at the local level dealing with personnel issues (II half of 2006);
- d) Organize continuous training of local officers in the initial phase through the HRM Agency until the institutional establishment of training for local officers (permanent task).

#### **3. Define Local Self-Government Accountability**

- ...
- Adopt regulations at the level of municipality in accordance with the Law on Local Self-Government (II half of 2006);
- Organize work of local self-government bodies, local government bodies and public services that will provide publicity and transparency of work and active participation of citizens in decision-making process regarding issues of direct interest for local population (permanent task) ....

#### 4. Implement a sustainable municipal finance system

- a) Develop and adopt Law on Communal Fees
- b) ... a transitional system should be prescribed in order to make a transit from normative evaluation of real estate to the evaluation based on market value ...
- e) Establish and keep precise, full and timely databases on municipal revenues and expenditures.
- f) Establish legal and regulatory framework for monitoring municipal budgets, financial control, borrowing and financial reporting. Introduce and start the municipal treasury system in every municipality in accordance with the state Treasury. The Ministry of Finance adopts regulations and instructions and submits them to municipalities, defining the minimum standards and procedures for municipal budget development, as well as regulations and instructions defining the minimum requirements for municipal financial reporting. ... Define the system of internal financial control in municipalities. State auditing institution implements external audit for municipalities.

**Ministry of Justice/Union of Municipalities of Montenegro Work Plan:** In February 2005, the Government adopted a Program for Better Local Self-Government of the Republic of Montenegro, prepared by the Ministry of Justice and the Union of Municipalities of Montenegro (UMM) to implement the Strategy for Administrative Reform in Montenegro with regard to local governance. This Program includes elements contained in the Reform of Local Self-Government section of the Government's Economic Reform Agenda for Montenegro 2004-2006 and in the Local Administration subsection of its Economic Reform Agenda for Montenegro 2005-2007 and, in some respects, goes beyond those Economic Reform Agendas.

The Program calls for the preparation of new Government decrees and regulations (Decree on Local Civil Servants' Titles; Regulation on the Method and Local Government's Dealing with Citizens [*sic*]; Code of Ethics for elected representative and local civil servants); implementation of new Government programs (*e.g.*, professional and leadership training for local elected representatives and staff; training local staff in assessment, collection, and control of local taxes; development of performance indicators for municipal service enterprises); preparation of various analyses (*e.g.*, analyses of local government operations, finances, and "affairs" [*sic*]); and establishing new institutions (*e.g.*, Government decentralization coordinating body; Ministry of Finance coordinating body). However, it is not clear that any of these activities, if completed, will contribute to solving the problems of non-compliance with, and non-enforcement of, the requirements of the existing key decentralization laws.

The sole activity mentioned in the Program that might directly address such a compliance and enforcement issue is "[p]roviding internal, as well as performance of external control and audit of lawfulness of [local] government expenditure." However, if read literally, even this activity calls only for an audit of the legal basis for local government expenditures, not a financial audit of local government revenue and expenditure records and reports.

**Ministry of Finance Action Plan:** At the 7 June meeting of the Ministry of Finance Coordinating Body, the Minister approved the current draft of the Ministry's Proposed Action Plan for Resolving Local Government Finance Issues, as modified by suggestions made by the Good Local Governance project that were discussed and approved at that meeting. Assuming the final Action Plan is so modified, it will call for a number of activities that, if implemented, would

address some of the compliance and enforcement issues related to the Law on Local Government Finance, including the following:

...

4. Draft amendments to the Decree on Detailed Criteria and Methodology for Calculating Real Estate Market Value. This Decree would eliminate problems resulting from the Constitutional Court's cancellation of some provisions. Draft Improved Valuation Decree for 2006 implementation

...

9. Draft by-laws for implementation of the Law on Tax Administration. Adoption of these by-laws would reduce regulations in area on delivery of tax bills and allow more efficient municipal implementation of the Law on Tax Administration and Law on Real Estate Tax.
10. Develop and issue rules on method of reporting about realized municipal revenues and expenditures. Drafting these rules would create conditions for municipalities to report about collected revenues and executed expenditures in a consistent manner.
11. Amend the Law on Forests to ensure that 30% of revenues from forest concession fees are distributed to municipalities and establish the Forestry Department as a Government Budget User.
12. Develop a new Chart of Accounts for Republic Budget, municipal budgets, and off-budget entities. New Chart of Accounts would allow consistent record keeping at both Republic and local levels.
13. Draft regulations to insure municipal implementation of annual external audits to be performed by qualified private corporations and financed by municipalities.
16. Issue guidelines for developing municipal budget for 2006 provide training and ensure compliance of new procedures by municipalities. These guidelines would ensure that budgets of all municipalities are prepared in a consistent manner.